

**KANSAS PUBLIC WATER SUPPLY
CAPACITY DEVELOPMENT PROGRAM
REPORT TO THE GOVERNOR**

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Kansas Department of Health and Environment
Division of Environment
Bureau of Water
Public Water Supply Section

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INTRODUCTION

On August 6, 1996, President Bill Clinton signed PL 104-182, more commonly known as the Safe Drinking Water Act (SDWA) Amendments of 1996. Section 1420 of the SDWA required states to prepare two strategies to assist public water suppliers in achieving technical, financial and managerial capacity. One strategy was prepared for new systems and one for existing systems. The Kansas Department of Health and Environment (KDHE) is the primacy agency responsible for preparation and implementation of the Kansas Capacity Development strategies.

The New Systems Capacity Development Strategy was submitted to the Environmental Protection Agency (EPA) and subsequently approved in September 1999. The New Systems Strategy ensures that KDHE will not issue a permit to a new system until it has demonstrated the technical, financial and managerial (TFM) capacity to comply with drinking water regulations and to protect the public health. As of September 2005, 10 new public water supply system applications have been approved.

The Kansas Capacity Development Strategy for Existing Systems was submitted to the Environmental Protection Agency in August 2000 and was approved in September 2000. The SDWA requires the head of the state primacy agency to submit to the Governor 2 years after adoption of the strategy and every 3 years thereafter, a report on implementation and efficacy of the state strategy. This report is submitted to the Governor to comply with the second 3-year reporting requirement. Failure to prepare a strategy or submit the required reports results in reductions in the capitalization grant from EPA for the drinking water revolving loan fund.

WATER SYSTEM CAPACITY

Water system capacity is the ability to plan for, achieve, and maintain compliance with applicable drinking water standards. Capacity consists of three elements: **Technical**, **Financial**, and **Managerial** (TFM). **Technical Capacity** or capability is the physical and operational ability of a water system to meet SDWA requirements, including the adequacy of physical infrastructure, technical knowledge and capacity of personnel, and adequate source water. **Financial Capacity** or capability is the ability of a water system to acquire and manage sufficient financial resources to allow the system to achieve and maintain compliance with SDWA requirements. **Managerial Capacity** or capability is the ability of a water system to conduct its affairs in a manner enabling the system to achieve and maintain compliance with SDWA requirements, including institutional and administrative capabilities. Properly managed systems have governing boards or authorities that are actively involved in oversight of system operations, while at the same time avoiding micromanagement (See Attachment A – Capacity Development Fact Sheet).

Capacity development is the *process* of water systems acquiring and maintaining adequate technical, financial and managerial capabilities to ensure that systems consistently achieve the health objectives of the 1996 Safe Drinking water Act and meet both immediate and long-term challenges.

CAPACITY ASSURANCE – NEW PUBLIC WATER SUPPLY SYSTEMS

New System Permitting Overview

Under the 1996 amendments to the SDWA states are required to insure that new community and new non-transient, non-community (NTNC) public water supply systems have the technical, financial and managerial capability to meet current and future SDWA requirements. KDHE's New System Permit Application consists of two parts. Part 1 is the engineering and design component, which is reviewed and approved by the Engineering and Permitting Unit. Part 2 of the permit application is the technical, financial and managerial capacity assurance component. Upon approval of Part 1 and the budget section of Part 2, a conditional permit or a letter of approval is issued authorizing construction of the public water supply system. Before the system begins operation, the remaining elements in Part 2 of the application must be completed and approved. A final inspection must also be conducted and approval to initiate operations must be granted by KDHE.

New System Implementation and Program Efficacy

The Capacity Assurance Strategy for new systems includes a review and evaluation component that KDHE uses to determine if the review and permitting process is effective. Any new system appearing on either a significant non-compliance (SNC) listing, or a pre-SNC listing, will receive special review to ascertain why the new non-compliance is occurring. KDHE will evaluate whether the system's appearance on a SNC listing is because of any short-coming in the new system permitting process or whether the appearance is due to other reasons, such as not following a proposed budget or providing proper training for the system's certified operator. For the purposes of this report KDHE evaluated all new systems since inception of the program in 1999. Only one of the 10 new systems permitted under the New System Capacity Assurance Program has appeared on the SNC list due to monitoring violations. Upon further investigation it was determined that this NTNC system had been inadvertently permitted to operate without submission or approval of the Part 2 permit. KDHE has addressed this issue by: 1) helping bring the system back into compliance; 2) including a new system component in the engineering unit's project tracking system to prevent future permitting oversights; and 3) improved communication and coordination between the engineering unit and the capacity development program. This improved permitting process should help KDHE avoid issuing new system permits without the completion and approval of the Part 2 application.

CAPACITY DEVELOPMENT STRATEGY FOR EXISTING PUBLIC WATER SUPPLY SYSTEMS

Existing System Strategy Overview

In March 1999, KDHE convened the Kansas Capacity Development Workgroup and began work on developing the *Report of Findings* for the Kansas Capacity Development Strategy. Thirty drinking water stakeholders from across the State were invited to participate in the Workgroup. The Workgroup met 8 times during 1999 and 2000 and developed 15 recommendations for the Department to consider in the State Strategy.

Eight of the 15 recommendations were included for initial implementation in the Capacity Development Strategy, the remaining 7 are considered for implementation as time and resources allow. The status for all 15 recommendations is shown in tables 1 and 2 below.

Table 1 – Initial 8 Strategy Recommendations

Recommendation	Implementation Status
TFM Surveys for all community water systems	Implemented – Conducted every 3 years
Require water use reports from all systems	Implemented – Required annually By DWR
Develop a PWS business planning guidebook	Implemented – Part of KanCap
Develop PWS finance training program	Implemented – KanCap/EFC Financial Tools
Require all systems to install customer meters	Under Development – deferred
Expand KDHE “Survival Guides” for PWS systems	Partially Implemented – TCR, CCR, DBPR1, LT1ESWTR, IESWTR, FBRR, PNR http://www.kdhe.state.ks.us/pws/survival.html
Develop facilities management plan guidelines (Asset Management)	Not Implemented
Develop board/council member education program	Implemented – KanCap

Table 2 – Remaining 7 Strategy Recommendations

Recommendation	Implementation Status
Kansas Lawmakers information packets	Not Implemented
“As Built” mapping assistance program	Partially Implemented – PWS GIS Database of RWD service areas, distribution system, interconnects, and storage facilities
Encourage partnerships among PWS systems	Implemented – KDHE Planning Grant Program, Participate in KWO and/or local sponsored regional PWS planning activities
Develop drinking water public information program	Not Implemented
Develop program to help select engineers/consultants	Implemented – Part of KanCap
Develop newsletter – KDHE spending, compliance, etc.	Not Implemented
Third-party assessment of KDHE resource needs	Not Implemented

Existing System Strategy Implementation Highlights

Since the 2002 Report to the Governor, KDHE’s primary implementation focus has been on developing tools and programs that help water systems achieve and maintain financial and managerial capacity. It is generally believed that if a water system has adequate financial and managerial capacities, technical capacity will follow. These programs and tools are: KanCap, Financial Planning Tools and Regional Public Water Supply Planning Grants Program. A brief description of each program is provided below.

KanCap

KanCap, developed under a contract with the Kansas Rural Water Association, is a combination interactive CD and handbook that members of water system governing bodies can use as an educational tool as well as a reference guide once the training course is completed. KanCap will accommodate a variety of learning preferences ranging from formal classroom training to computer self-study. It includes video clips, interactive quizzes, and activities that provide information that decision makers need to know to stay in compliance with drinking water regulations. Train-the-Trainer sessions will be conducted for technical assistance (TA) providers on classroom techniques using the CD and manual. It is expected that after the training, TA providers will use or incorporate KanCap in their existing training programs. KDHE encourages participation in the program by providing incentives for board and council member participation. These incentives include additional credit in the ranking system for SRF loans and 3 levels of certification based on the number participants from an individual water system. KanCap was developed to provide water system governing bodies with the information they need to make decisions that help protect the public health. Emphasis is placed on managerial and financial responsibilities. The enclosed KanCap promotional brochure (Attachment B) provides additional information on the Program.

Financial Planning Tools and Assistance

KDHE contracted with the Environmental Finance Center (EFC) at Boise State University to develop a Kansas specific rate-setting and financial planning tool that will be made available via the internet to all Kansas water systems. Under the contract, the EFC is providing a statewide license for CapFinance (asset inventory and financial analysis), included with this license purchase is Rate Check-up (rate analysis). The EFC will tailor Rate Check-up to meet Kansas specific rate-setting and analysis needs. As part of the contract the EFC is developing a website that will enable water systems to log on and download the software tools. In addition, the EFC will conduct “train-the-trainer” sessions for technical assistance providers that will be providing financial planning help to Kansas water systems. This software should be ready for delivery to Kansas water systems by the end of 2005.

Additionally, KDHE contracts with Ranson Financial Consultants, LLC to provide on-site financial planning assistance including rate setting, budget review and capital improvement planning. This assistance includes a complete review of the system’s budgets, audits, rates and financial planning procedures. A report is provided to the system with recommendations that will help the system achieve and maintain financial capacity, including a rate analysis that illustrates the rates required to maintain long-term financial health and keep the system in compliance. KDHE uses the Capacity Development Survey, enforcement actions, referrals from the district offices and TA providers to identify water systems eligible for this on-site assistance. It is anticipated that this contract will be renewed annually.

Regional Public Water Supply Planning Grant Program

The Regional PWS Planning Grant Program provides 50% matching funding for preliminary engineering studies that evaluate regional solutions to address public water supply system needs and challenges. KDHE uses a portion of the drinking water loan fund set-aside to provide up to \$12,500.00 to match funding provided by the project sponsors for these studies.

This program was started in SFY 2004, and to date, three studies have been funded. These 3 studies have the potential to benefit a total of 19 public water supply systems (see table 3). KDHE has the ability to provide cost-share funding for approximately 4 regional PWS studies per year. The planning grant application and program instructions are available on KDHE's capacity development webpage: <http://www.kdhe.state.ks.us/pws/capdev.html>.

Table 3 – Regional PWS Planning Grant Projects

<i>Project Sponsors</i>	Systems Benefiting	Status
Hillsboro-Marion Water Cooperative	Hillsboro, Marion, Peabody, Marion Water Improvement Dist. #2	Study Complete – will not construct joint system
Elk River PWWSD #24 (Elk City, Howard, Longton, Severy, & Moline)	Elk City, Howard, Longton, Moline, Severy, EK Co RWD #1, MG Co RWDs #9 & #13	Study Complete – PWWSD #24 is pursuing consolidation with PWWSD #20 as the best solution. Project dependent upon agreement by #20 and USDA/RD funding. Construction of this project will result in decommission of 5 small surface water treatment plants that are currently out of compliance.
Pomona Lake Water Cooperative	DG Co RWDs #2, #3, & #5, OS Co RWDs #2 & #8, SN Co RWD #8 and Overbrook	Study Complete – Most feasible option is to pursue development of 2 wholesale water systems: DG 2&5, OS 2&5 and Overbrook will pursue KS R. east of Lawrence and DG 3 and SN 8 will pursue KS R between Topeka & Lawrence.

Efficacy of Existing System Strategy

The Capacity Development Workgroup recommended that KDHE use a water system survey to measure improvements in water system capacity. Prior to the 2002 Report to the Governor, KDHE developed and completed the first Capacity Development Survey. This survey established the baseline data that enables KDHE to measure improvements or identify weaknesses in water system capacity. The survey is also used to identify areas where additional emphasis or assistance is needed to help systems achieve and maintain TFM capacity. The survey is conducted every 3 years in conjunction with the Report to the Governor. The results of the 2005 survey indicate an overall improvement in water system capacity when compared to the 2002 survey.

Each water system is assigned a score based upon the survey responses. After the scores are calculated, the systems are divided into High, Medium or Low priority categories. Placement in the high category indicates the system has insufficient capabilities in all three areas (TFM) of capacity development or is extremely deficient in one area. These are also the systems that often have drinking water compliance problems. Water systems in the medium category usually comply with regulations and may have only a few TFM related deficiencies. The low priority category includes the water systems that demonstrate sufficient TFM capabilities and rarely have compliance problems. Table 4 summarizes the results of the 2005 Survey. The ultimate goal is to have the fewest number of systems in the high category with the majority of water systems in the low category.

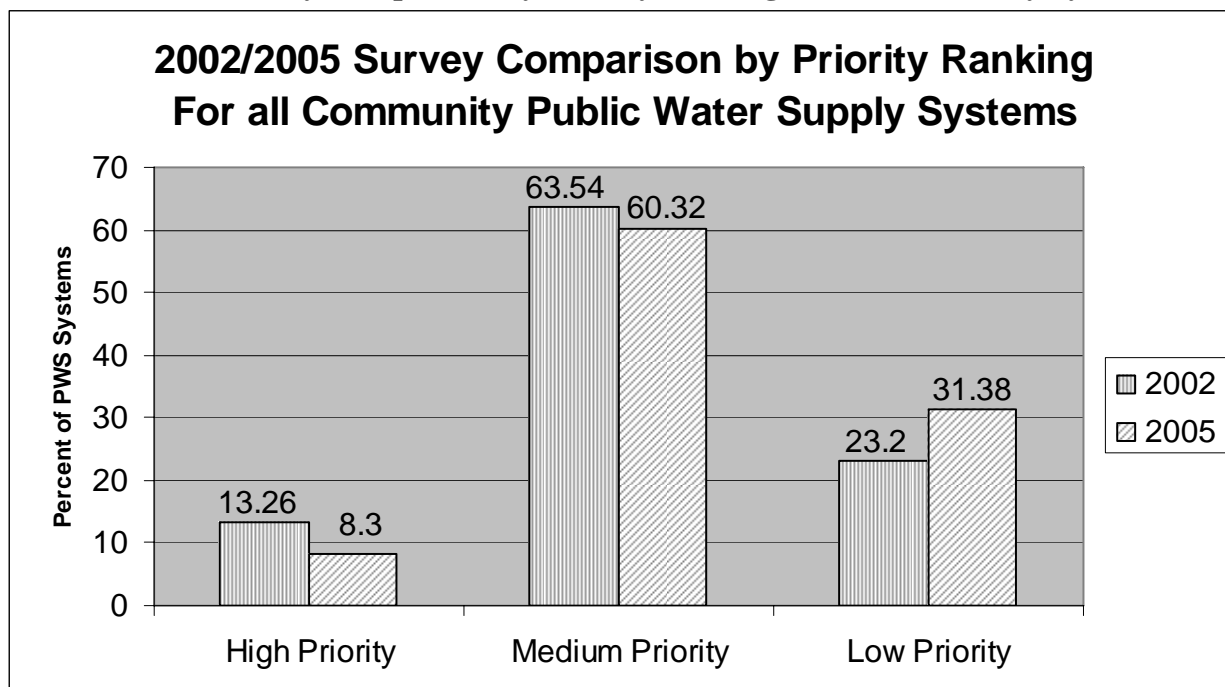
In the past, KDHE has focused assistance to systems in the high category. Based on the numbers in Table 4, KDHE needs to also increase efforts to help water systems in the medium category move to the low category. These scores will be used in conjunction with compliance data, sanitary surveys and information from the district offices to prioritize water systems most in need of assistance.

Table 4 – 2005 TFM Capacity Development Survey Summary

Total Possible Points on Survey		124
Highest Score (1 system)		66
Lowest Score (3 systems)		2
Priority Ranking Summary		
Priority Category	Points	Number of Systems
High	40 or More Points	68
Medium	20 to 39 Points	494
Low	19 Points or Less	257
Total Number of Surveys Returned		819

One of the other purposes of the Survey is to compare, every 3 years, the progress water systems are making towards achieving and maintaining TFM capacity. Chart 1 provides a comparison between the 2002 and 2005 surveys. The chart shows improvement in all 3 priority ranking categories; a reduction in the number of water systems in the high and medium categories and an increase in the number of systems in the low category. The smallest improvement is in the medium category, which reinforces the need for KDHE to focus more effort on improvements for systems in this category.

Chart 1 – Survey Comparison by Priority Ranking for all Community Systems



Studies conducted by EPA indicate that small drinking water systems face greater difficulties in achieving and maintaining TFM capacity and therefore experience higher non-compliance rates with drinking water regulations. In order to determine if small systems in Kansas also face more challenges in achieving and maintaining TFM capacity, KDHE analyzes the TFM survey by population. Table 5 shows the comparison between the 2002 and 2005 surveys by population. Analysis of the survey data is consistent with EPA conclusions that small systems experience greater difficulties. Although comparison between 2002 and 2005 show improvement in those systems serving a population of 500 or less, this category still has the highest percentage of water systems in the high priority ranking. These results indicate that KDHE needs to continue to place emphasis on small drinking water systems and focus additional technical assistance to those systems most in need.

Chart 1 illustrated overall improvements between 2002 and 2005 in TFM capacity for all community water systems. Table 5 also shows an overall improvement between 2002 and 2005 in capacity in all population groups. Regardless of population the number of high and medium priority rankings decreased while the number in the low priority ranking increased. The ranking showing the lowest rate of improvement regardless of population is the medium priority. This is also consistent with the findings illustrated in Chart 1.

Table 5 – 2002/2005 Capacity Development Survey Comparison

	2002 Survey	2005 Survey
Surveys Mailed	904	909
Surveys Returned	875	819
Percent Returned	97%	90%
Population 500 or Less	Total Number of Systems 465	Total Number of Systems 417
High Priority	21% (97)	15% (63)
Medium Priority	69% (321)	66% (276)
Low Priority	10% (47)	19% (78)
Population 501 to 3,300	Total Number of Systems 333	Total Number of Systems 321
High Priority	5% (16)	1% (4)
Medium Priority	60% (199)	56% (180)
Low Priority	35% (118)	43% (137)
Population 3,301 or More	Total Number of Systems 77	Total Number of Systems 81
High Priority	4% (3)	1% (1)
Medium Priority	47% (36)	47% (38)
Low Priority	49% (38)	52% (42)

Three conclusions can be drawn from analysis of the survey. First, the improvements in the priority rankings indicate that the KDHE Capacity Development Program is working and the Department should continue implementation of the Strategy for Existing Systems. Second, a higher rate of improvement needs to be achieved for systems in the medium priority category. And third, KDHE should continue to place special emphasis on water systems with populations of 500 or less.

Existing System Strategy Review and Modification

Periodic review and modification of the Strategy for Existing Systems is vital in keeping KDHE's Capacity Development Program current and relevant to the needs of Kansas public water supply systems. KDHE met with the Capacity Development Stakeholders on August 30, 2005, to review implementation activities and to solicit input on revisions to the Existing Systems Strategy. The session was jointly sponsored by EPA Region 7 and facilitated by the Environmental Finance Center at Boise State University.

Stakeholder Participants Included: Kansas Rural Water Association, League of Kansas Municipalities, Midwest Assistance Program, Ranson Financial Consultants, Kansas Water Office, Kansas Department of Agriculture Division of Water Resources, and the KDHE Operator Certification Program.

The stakeholders reviewed and provided advice on the Strategy recommendations partially implemented or not yet implemented. The results of this discussion are shown in Table 6. KDHE will review the recommendations and revise the Strategy where appropriate. One other change needed is to note that KDHE, not the KWO, conducts the Triennial TFM Survey.

Table 6 – Strategy Recommendations Revision

Recommendation	Action Recommended
Require all systems to install customer meters	Change from a requirement to a recommendation for all systems. This impacts approximately 17 community water systems. DWR & KWO will consider modifying Conservation Plan Guidelines to require customer meters for plan approval (will not apply to all systems, only those required to develop a plan).
Expand KDHE "Survival Guides" for PWS systems	Continue to develop guides as new rules are adopted, currently working on guide for very small systems (mobile home parks, homeowners associations, etc.)
Develop facilities management plan guidelines (Asset Management)	Develop using existing tools (CapFinance, EPA information) where possible.
Kansas Lawmakers information packets	It is not necessary to provide a packet to all lawmakers. However, KDHE should make the Report to the Governor available to interested lawmakers. Provide notification to appropriate committee chairs or send postcard notification to all legislators (KDHE will determine which approach to take).
"As Built" mapping assistance program	Financial resources only allow for the update of RWD boundaries and facilities currently under development. Should try to add cities in the future. "As Built" maps should be the responsibility of the individual water systems.
Develop drinking water public information program	Provide additional information/templates for water systems to use to enhance CCRs
Develop newsletter – KDHE spending, compliance, etc.	Provide articles for stakeholders' publications and the annual KDHE Operator Newsletter
Third-party assessment of KDHE resource needs	Remove from strategy. Legislature approved additional staffing requests for the public water supply supervision program and the PWS Fee Fund. An evaluation of resource needs is no longer necessary.

OTHER KDHE PROGRAMS RELATED TO CAPACITY DEVELOPMENT

Source Water Assessment Program

The 1996 amendments to the Safe Drinking Water Act required each state to develop a Source Water Assessment program (SWAP). Additionally, each state was required to develop a Source Water Assessment (SWA) for each public water supply that treats and distributes raw source water. In Kansas, there are approximately 763 public water supplies that required SWAs. A SWA includes the following: delineation of the source water assessment area; inventory of potential contaminant sources; and susceptibility analysis. The SWA must also be made available to the public. KDHE's Watershed Management Section has implemented the Kansas SWAP plan, and all SWAs are completed. Complete reports can be downloaded at: <http://www.kdhe.state.ks.us/nps/swap>.

The Safe Drinking Water Act did not require protection planning to be part of the SWAP process. On a voluntary basis, KDHE encourages public water supplies and their surrounding communities to use the SWAs as the foundation for future protection planning efforts. KDHE has a staff person available to help interested systems develop a source water protection plan.

Operator Certification Program

Kansas has a long established Operator Training Program beginning with the first Operator Training School in 1920. This first school was a joint effort of the Kansas Department of Health and the University of Kansas. The school continues to be held annually, with the 86th event conducted on August 2-5, 2005.

The Kansas Water Works Association and the Kansas Water Pollution Control Association in cooperation with the Kansas Department of Health gave the first voluntary water and wastewater certification examinations in 1954. In 1975 the Kansas Legislature passed K.S.A. 65-4501 *et seq.* requiring a mandatory Water and Wastewater Operator Certification Program. This law requires all public water supply water systems to have a certified operator regardless of size. Kansas has four levels of classification for certified operators based upon population served and system complexity. The Certified Operator Program in Kansas has worked very well as demonstrated by the Capacity Development Survey. The survey indicates that 95% of public water supply systems in Kansas have operators with the appropriate level of certification.

The 1996 amendments to the Safe Drinking Water Act require all states to have a mandatory certified operator program. EPA approved KDHE's program in February 2002. Approval of the program qualifies KDHE for a grant from EPA to implement a certified operator training assistance program. Since Kansas has a well established operator training program the focus of the grant is to provide assistance to systems that have Operators-in-Training to ensure that the systems are being properly operated until such time the operator becomes fully certified. The grant will also provide support for the Kansas Backup Operator Program (KBOP). KBOP provides funding for small systems to have a certified backup operator ready and willing to operate the system in the event the primary operator is not available. Emergency planning and vulnerability assessment training was also funded with the grant.

Six workshops were held throughout the State that provided training on conducting vulnerability assessments and preparing an emergency response plan. KDHE also used the grant to contract with outside providers for the development of an operator training manual and materials for small systems.

Kansas Public Water Supply Loan Fund Program

The Fund is a revolving loan fund program that provides financial assistance in the form of loans to Kansas municipalities, at below market interest rates, for the construction of public water supply system infrastructure. Kansas Statutes (65-163d through 163u) establishing the Loan Fund were passed by the 1994 legislature. However, enabling legislation at the Federal level for the public water supply revolving loan fund was not in place until President Clinton signed the SDWA Amendments of 1996 in August 1996. EPA accepted the Kansas statutes as meeting the requirements of the SDWA.

The Loan Fund is made possible by receipt of capitalization grants from the EPA. Between federal fiscal years 1997 and 2004 Kansas received a total of \$84,376,600 from EPA in grants. The Loan Fund is operated as a reserve account leverage program. In a reserve account leverage program, the EPA capitalization grant is not loaned directly to municipalities. Instead, the grant is deposited into a reserve account, and pledged as security for repayment of state issued revenue bonds. Proceeds from the revenue bonds are loaned to the municipalities. The reserve fund is invested, and the interest earnings are combined with the loan repayments from municipalities to buy down the loan's interest rate. Municipalities are charged interest rates equal to 80% of the previous three months average of the Bond Buyers 20 Bond Index. The Loan Fund leverages at a ratio of four to one, that is, four dollars can be borrowed for every dollar placed into reserve. Kansas is the only state in the country with the ability to leverage at this high of a ratio.

Since the Program's inception in 1997, 127 loans have been closed for a total of \$290,457,701.81. One of the stated goals of the Program is to provide loans to small public water supply systems. The SDWA requires that 15% of the loan assistance provided must be to systems serving less than 10,000 customers. The Kansas program takes this one step further and requires that 20% of available loan funds go to systems with a population less than 5,000. Small systems have received 88 of the 127 loans made since the program began, amounting to \$103,174,811.88 or approximately 35% of the total dollar amount of loans closed.

The SDWA prohibits loans to systems that are not in compliance with drinking water standards unless such loans would bring the system into compliance. The SDWA further prohibits loans to systems that do not demonstrate technical, financial and managerial capacity unless such systems agree to make the necessary changes in operations including but not limited to management, accounting, rate structure or other procedures that would ensure TFM capacity over the long term. Loans awarded under the Program have helped systems achieve and maintain compliance with SDWA regulations. As new regulations are implemented loans will continue to help systems meet the ever increasing challenges they face in achieving compliance. In addition, the KDHE contracts with the Kansas Rural Water Finance Authority (KRWFA) to conduct financial reviews for all systems applying for a loan.

The KRWFA enters into agreement with water districts and small towns that require reporting assistance in order to participate in the Loan Fund. This agreement is for the life of the loan and this oversight assures the financial capacity and ability of the systems to repay the loan. This in turn qualifies them for the same interest rate as the large municipalities with bond ratings that participate in the Loan Fund Program.

Kansas Public Water Supply Loan Fund: Small System Technical Assistance 2% Set Aside

Technical assistance is provided to small systems (less than 10,000) through a contract with the Kansas Rural Water Association. Through this contract the KRWA will provide technical assistance to small systems to help achieve safe drinking water act compliance, develop and maintain proper operation and maintenance procedures, develop appropriate management procedures and provide technical assistance to systems using surface water as their source of supply. The KRWA provides a minimum of 420 hours of on-site technical assistance for compliance, operation and maintenance, and management procedures to small public water suppliers. In addition, KRWA provides a minimum of 600 hours of on-site technical assistance to small systems using surface water as their source. It is anticipated that technical assistance provided under this contract will help prevent safe drinking water act compliance problems before they occur. It is also anticipated that this contract will be renewed on an annual basis.

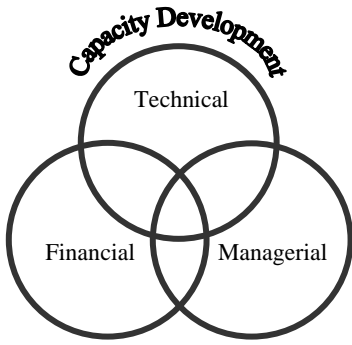
REPORT AVAILABILITY

The SDWA requires that the State make this report available to the public. The Department will post this report on the KDHE Public Water Supply Capacity Development web page. The Capacity Development web page address is:
<http://www.kdhe.state.ks.us/pws/capdev.html>.

Other Capacity Development Reports available by request or from the web page include:

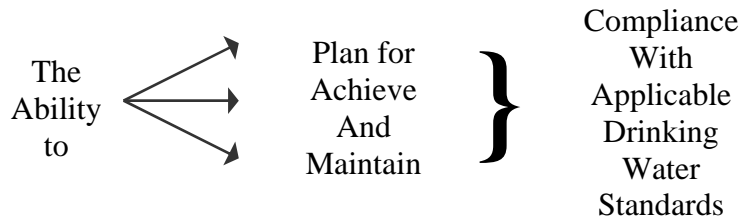
- ❖ Report of Findings on Improving the Technical, Financial and Managerial Capacity of Kansas' Public Water Systems, July 2000
- ❖ State of Kansas Capacity Development Strategy for Existing Public Water Supply Systems, August 1, 2000

ATTACHMENT A
Capacity Development Fact Sheet



Capacity Development Fact Sheet

Capacity is...



- The 1996 Amendments to the Safe Drinking Water Act outline two programs that states must implement to receive their full Drinking Water State Revolving Fund (DWSRF) allotment.
 - New System Program – States must ensure that new systems commencing operation after October 1, 1999, have adequate **T**echnical, **F**inancial, and **M**anagerial (TFM) capacity before providing water service to their customers.
 - Existing System Strategy – States must develop and implement a strategy to help existing public water supply systems achieve and maintain TFM capacity no later than August 6, 2000.
- The fundamental goals of Capacity Development are:
 - To protect public health by ensuring consistent compliance with drinking water standards, including federal and state regulations and other applicable standards of performance.
 - To enhance performance beyond compliance through measures that bring about efficiency, effectiveness, and service excellence.
 - To promote continuous improvement through monitoring, assessment, and strategic planning. All water systems, regardless of size or other characteristics, can benefit from a program of continuous improvement.
- Kansas Capacity Development Program Emphasis
 - Provide water system board/council continuing education to improve TFM capabilities
 - Provide on-site technical assistance to small systems to improve TFM capabilities
 - Assess improvements in TFM capacity through the triennial Capacity Development Survey

- For a system to have capacity, adequate capability is required in three distinct but interrelated areas:
- **Technical** – The physical and operational ability of a water system to meet SDWA requirements, including the adequacy of physical infrastructure, technical knowledge and capability of personnel, and adequate source water.
 - **Financial** – The ability of a water system to acquire and manage sufficient financial resources to allow the system to achieve and maintain compliance with SDWA requirements.
 - **Managerial** – The ability of a water system to conduct its affairs in a manner enabling the system to achieve and maintain compliance with SDWA requirements, including institutional and administrative capabilities.

Elements of Technical Capacity	
Source Water Adequacy	The source is adequate to meet current and future demands, is of generally good quality and is adequately protected.
System Operations: Technical Knowledge and Implementation	System employs a certified operator who understands the benefits of public health protection, knows the applicable drinking water standards, understands the system's technical and operation characteristics, and is successfully implementing the system's operation and maintenance plan.
Infrastructure Adequacy	Infrastructure adequacy and improvement means the system can provide water that meets SDWA standards because its infrastructure, from source to distribution, is in good condition and has not exceeded its useful life.

Elements of Financial Capacity	
Revenue Sufficiency	Revenue sufficiency is the cornerstone of a well-run system. Revenues from rates and charges should cover system expenses. A system should know, and be able to measure, all costs and revenues. Rates should reflect the true cost of service.
Fiscal Management and Controls	Sound financial management allows a system to maintain efficient and effective operations. This includes keeping adequate books and records, using appropriate budgeting, accounting, and financial planning methods, and managing revenues effectively.
Credit Worthiness	Having an established credit rating will allow the system to access funds for an emergency or for implementation of a capital improvement plan. Financial institutions will look at the health of the system, as measured through indicators, ratios and ratings, previous credit records, and proof of repayment is assured, when determining whether the system is a good credit risk. Having access to capital through public or private sources is one element of a financially capable system.

Elements of Managerial Capacity	
Ownership Accountability	Ownership accountability ensures that the system owners are clearly identified and can be held accountable for the system. Identification of roles and responsibilities can help prevent confusion, mistakes and misunderstandings in the daily operation of the system. Owners are actively involved in capital improvement and strategic planning to meet short and long-term needs of the system.
Staffing and Organization	System operators and managers should be clearly identified and their roles and responsibilities should be clearly explained. System personnel should have adequate expertise to manage operations, understand the regulatory requirements, and have the necessary licenses and certifications. Another aspect of staffing and organization is ensuring the ongoing training of managers and operators.
Effective External Linkages	Water system personnel need to interact regularly with their customers and with regulators. System personnel also need to know where to get technical or financial help. Building relationships with assistance providers, regulators, and water users will increase a system's ability to solve problems as they occur.

For more information on the Kansas Capacity Development Program call (785) 368-7130.
Or visit the KDHE web page: <http://www.kdhe.state.ks.us/pws/capdev>
 Information for this fact sheet was obtained from U.S. EPA Drinking Water Academy Electronic Workshop:
<http://www.epa.gov/safewater/dwa/electronic.html>

ATTACHMENT B
KanCap Brochure

KanCap facts

Why? Provide board/council members with consistent information about the 1996 Safe Drinking Water Act's capacity development requirements and about state regs.

What? A flexible, voluntary learning program that helps rural water districts and cities achieve the SDWA's health, public safety and economic goals by building managerial, financial and technical capacity.

How? Learning options range from on-site discussions led by technical assistance providers to self study.

When? Training will start in the Summer 2004.

Who? KDHE-approved technical assistance providers conduct training.

Cost? There is no fee for the materials if you attend either classroom training or have on-site discussions at your board/council meetings. Materials for self-study are available at cost.

Bonus! Successful completion of KanCap earns a variety of benefits, from a certificate of completion to points added to applications for KDHE funding (see back panel).

KanCap is sponsored by the Kansas Department of Health and Environment per the 1996 Safe Drinking Water Act. Training materials were developed under KDHE contract by the Kansas Rural Water Association with the help of state and national drinking water experts.

KDHE credits to participants

The Kansas Department of Health and Environment has authorized the following credits for successfully completing voluntary SDWA capacity development KanCap training:

- **Individual board/council member** – KDHE's Gold Club certificate
- **80% of an entire board/council** – KDHE's Platinum Club certificate; and recognition via KDHE publications, meetings and website.
- **More than 80% of an entire board/council** – KDHE's Diamond Club certificate; recognition via KDHE publications, meetings and website; and one (1) tie breaking point on applications for the Kansas PWS State Revolving Loan Fund.

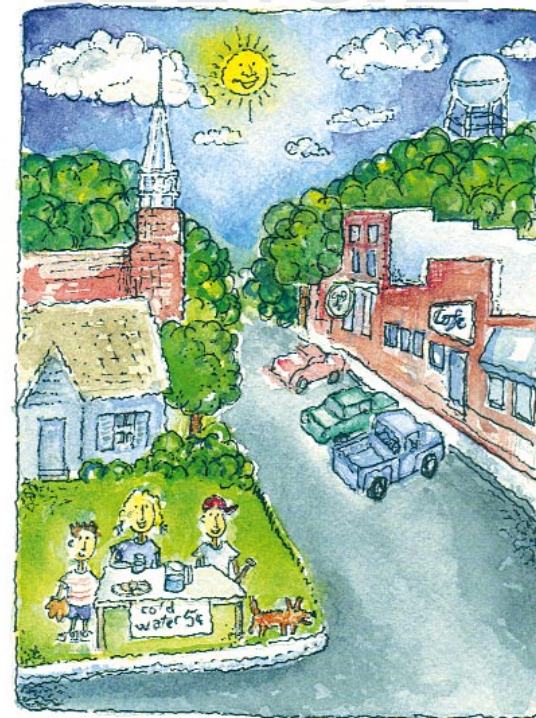
Extra points on the Kansas Public Water Supply Loan Fund applications are granted only for group training conducted by a KDHE-approved technical assistance provider. For a qualifying entity's points to continue, new board/council members must successfully complete the training within 18 months. For further information, contact Cathy Tucker-Vogel, KDHE, at 785-368-7130 or email CTuckerv@Kdhe.state.ks.us



BETTER management
FOR SAFE DRINKING WATER



KANCAP



Water IS Your Business!

Water pressure. Meeting all regs and standards. Affordable rates. City council and rural water district board members have a lot to consider.

In fact, your job is making the right decisions about complex managerial, technical and financial aspects of running a high quality water utility. Yes, it takes time to keep up on laws, regs and rules. But as a board/council member, you're personally responsible.

Question: Why serve on a governing body?

Answer: To help assure jobs and high quality of life for today and tomorrow.

Water is THE foundation of your community's jobs and future. Like it or not, you're in the water business.

KanCap is the program to help you do the right thing, on time.



Like any business, there are risks and options – but is your board/council keeping them in mind?

You need to know the pros and cons concerning your technical, financial and managerial decisions about water. That includes federal laws, such as the 1996 Safe Drinking Water Act's capacity development requirements for states and EPA. That's why KanCap, a component of the Kansas Capacity Development Program, was established by the state of Kansas. KanCap is an educational tool for board/council members.

How to get fast, reliable information? From KanCap experts who'll attend your board/council meeting, by going to training classes or by using self-study materials.

KanCap program topics

Managerial, technical and financial sections in the participant's notebook/CD include:

- 1.** Five myths plaguing board/councils
- 2.** Five tips for better board/council overview
- 3.** Who requires what ... and what happens if your system doesn't comply?
- 4.** Proven tools that get results for small systems
- 5.** Reducing risk and liability with written plans, assessments, audits, insurances, regular reviews and more
- 6.** Your regular board/council meeting: Gateway to good governance
- 7.** Communications: Over-rated or essential?
- 8.** Financial options from federal loans and grants to rate reviews
- 9.** Preparing and understanding financial statements
- 10.** Ever-changing technology: Frill or foundation?

KanCap covers more than 200 topics.

You choose

To meet your individual needs, KanCap includes:

- ✓ Facts, requirements and penalties concerning managerial, financial and technical capacity
- ✓ Kansas examples and case histories
- ✓ Participant notebook. Its accompanying CD has 52 brief videos of Kansans discussing hot topics such as employee evaluations, Open Meetings and Open Records laws, funding options, source water protection and customer relations. In addition, the CD links to scores of websites and contains over 180 documents with detailed information (pdf format).
- ✓ Sample ordinances and policies
- ✓ Learning options ranging from discussions at your board/council meetings to classroom training or self-study

Facts or Kansas examples. Self-study or group training. Covering all topics or just a few.

The choice is yours.

